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BULLETIN NO. 9
November 1, 2006
EQUALIZATION OF ASSESSMENTS

TO: Equalization Directors
Assessors

FROM: State Tax Commission (STC)

RE: EQUALIZATION CALENDAR
EQUALIZATION OF ASSESSMENTS

This bulletin contains two documents, which discuss the equalization of assessments.

One is the 2007 County and State Equalization Calendar. The other is a paper which is intended to explain the key features of the County and State Equalization process.

The State Tax Commission reminds assessors and equalizers that the importance of the equalization of assessments has NOT been lessened by the passage of Proposal A. It has, instead, become even more important because State Equalized Value is a key element in the determination of Taxable Value.

THE DETERMINATION OF ASSESSMENTS (PREPARATION AND REVIEW OF AN ASSESSMENT ROLL) IS STILL IMPORTANT AND REQUIRED PROJECTS FOR ASSESSORS AND BOARDS OF REVIEW, AND COUNTY AND STATE EQUALIZED VALUES ARE STILL IMPORTANT AND REQUIRED BY THE CONSTITUTION AND BY STATUTE.

2007 COUNTY AND STATE EQUALIZATION CALENDAR

June 30, 2006	Deadline for County Equalization Director to file Interim Status Report of the ongoing study for the current year. [R 209.41].
Nov. 1, 2006	Property Tax Division staff reports to the State Tax Commission (STC) on the progress and quality of 2006 equalization studies (whose purpose is to set the starting base for 2007) for each county on tentative forms L-4030, L-4031, L-4032.
Dec. 31, 2006	Tax day for 2007 property taxes. [MCL 211.2].

Jan. 2, 2007	Due date for filing of county equalization department studies made during 2006 with the STC for all classifications in all units on Form L-4018. [R 209.41]. These studies are used for the 2007 revised starting bases.
Feb. 1, 2007	Deadline for counties to file single year studies with STC to amend starting base for those units (with classes) experiencing sharply declining real estate markets. Optional, additional single year equalization study may be originated by assessor or by county equalization director. Single year studies (calendar year 2006) submitted by Feb. 1, 2007 are used in the 2007 assessment and equalization process.
Feb. 1, 2007	Property Tax Division staff reports to the State Tax Commission on the progress and quality of 2006 equalization studies (whose purpose is to set the starting base for 2007) for each county on <u>preliminary</u> forms L-4030, L-4031, L-4032.
Feb. 19 is a Holiday Feb. 20, 2007	<u>Third Mon. In Feb.:</u> Deadline for county equalization director to publish in a newspaper the tentative equalization ratios and estimated SEV multipliers for 2007. [MCL 211.34a].
March 5, 2007	<u>First Monday in March:</u> The 2007 assessment roll shall be completed and certified by the assessor. [MCL 211.24].
April 4, 2007	The township supervisor or assessor shall deliver completed assessment roll, with BOR certification, to the county equalization director not later than the tenth day after adjournment of the board of review or by April 4 (the Wednesday following the first Monday in April) whichever date occurs first. [MCL 211.30(4)]. Note: An assessor shall file Form L-4021 with the County Equalization Department, and Form L-4022 with the County Equalization Department and the State Tax Commission, immediately following adjournment of the board of review. (STC Administrative Rule: R 209.26(10a), (10b). The form L-4022 <u>must</u> be signed by the assessor.
April 10, 2007	<u>Tues. following second Mon. in April:</u> County Board of Commissioners meets in equalization session. [MCL 209.5 and 211.34]. The equalization director files a tabular statement of the county equalization adopted by the County Board of Commissioners on the Form L-4024 prescribed and furnished by the STC, immediately after adoption. County equalization shall be completed and official report (Form L-4024) filed with STC prior to May 7, 2007 (First Monday in May). The

	Property Tax Division staff makes a <u>final</u> report to the State Tax Commission on Forms L-4030, L-4031, L-4032 immediately after the adoption of the 2007 equalization report by the County Board of Commissioners.
April 16, 2007	<u>Third Mon. in April:</u> Equalization director files separate Form L-4023 for each unit in the county with the STC no later than April 17, 2007. [MCL 211.150], [STC R 209.41(8)].
May 7, 2007	<u>First Monday in May:</u> Deadline for filing official County Board of Commissioners report of county equalization (L-4024) with STC. [MCL 209.5]. Appeal from county equalization to Michigan Tax Tribunal must be filed within 30 days after the adoption of the county equalization report by the County Board of Commissioners. [MCL 205.735].
May 14, 2007	<u>Second Mon. in May:</u> Preliminary state equalization valuation recommendations presented by the Property Tax Division staff to the State Tax Commission. [MCL 209.2].
May 28, 2007 is a holiday May 29, 2007	<u>Fourth Mon. in May:</u> State Equalization Proceeding - Final State Equalization order is issued by STC. [MCL 209.4].

THE EQUALIZATION OF ASSESSED VALUES

Note: This paper is intended to be an aid in understanding the equalization process. It is NOT a technical statement of policies and procedures.

How could a \$20,000 assessed valuation (A.V.) for 2007 become a state equalized valuation (S.E.V.) of \$25,000 on the 2007 tax roll and tax bill? For example purposes, assume this assessment is classified residential by the assessor.

1979 P.A. 114 requires separate equalization of the total of each of the six classifications of real property and for the total of personal property, beginning with the 1981 equalization. Equalization by classification for real property does NOT mean that assessing officers must no longer maintain uniformity within and between all the classifications of property, real and personal, in each city or township. Assessments of all property are required to be at 50% of True Cash Value. True Cash Value is defined by Michigan Compiled Laws 211.27.

1. Prior to December 31, 2006, the county equalization department of each county is required to study the assessments in each separately equalized classification of property in each township and city. The results of these equalization studies are given to each assessor. The county equalization department must also send a copy of its study of each classification in each township and city to the State Tax Commission by December 31, 2006.
2. December 31, 2006 is tax day for 2007 assessments and that is the date on which the assessable status of persons and property is determined.
3. By the third Monday in February, (Feb. 20, 2007 because of the holiday), the equalization director is required to publish the assessment level percentages and the tentative state equalized valuation multipliers separately for each of six classes of real property and the total of personal property for each township and city.
4. By the first Monday in March, 2007, the assessor of each township or city must have completed the 2007 assessment roll and determined a uniform valuation for each item of assessable property. (Statute requires 50% assessment.)
5. Between the second Monday in March and the first Monday in April, 2007, the board of review in each township and city hears complaints from property owners and may rectify errors or satisfy individual grievances if adequately convinced by factual information supporting the change.
6. Between the Tuesday following the second Monday in April and the first Monday in May, 2007, the law requires the county board of commissioners to review the assessment rolls of all units and either approve the totals of the assessments for the six classifications of real property and the total of personal property assessed valuations of each unit or add to or deduct from those classifications of property which are not representative of 50% of true cash value.

7. On the second Monday in May, 2007, the State Tax Commission issues a tabular statement containing the totals for each of the six classifications of real property and the total personal property which it has determined to be the preliminary equalized valuation for each county for 2007. The statement is mailed to the county clerk. During the time between preliminary and final state equalization, the State Tax Commission hears complaints about the preliminary valuations.
8. On the fourth Monday in May, the State Tax Commission issues the final state equalized valuations for the totals of six classifications of real property and the total of personal property for each of the 83 counties for 2007. A statement showing the results of state equalization is mailed to each county treasurer.
9. The state equalized valuation of an individual item of real property results from a calculation based on the actions of the three equalization bodies: the local assessor and board of review; the county board of commissioners; and the state tax commission acting as the state board of equalization. It is the function of the assessor to establish and maintain uniformity between individual parcels of property in the township or city. It is the function of the county equalization department to establish and maintain uniformity between townships and cities in the county by estimating the total value of each classification in each township and city. It is the function of the State Tax Commission to establish and maintain uniformity between counties by establishing the value of the total of each classification in each county.

The formula for the state equalized valuation multiplier is: the state equalized valuation of the classification of real property for the township (or city) divided by the assessed valuation of the class of real property for the township (or city) equals the S.E.V. multiplier for that classification. The assessed valuation of one parcel of property classified residential (for example, \$20,000) multiplied by the S.E.V. multiplier for residential (for example, 1.2500) produces the 2007 S.E.V. (For example, \$25,000) for that parcel for that class. The S.E.V. is entered on the tax roll and tax bill.

10. If assessment rolls are accepted by the county board of commissioners as being at the 50% level for the residential classification of property, and if the total equalized valuation for residential real property for the entire county adopted by the board of county commissioners is accepted by the state tax commission as being at the 50% level, the assessments of residential real property within that assessment unit would be equal to the state equalized valuations for residential: or in other words, the S.E.V. multiplier would equal 1.0000.
11. Because of the timing of the study to determine a revised equalization base as required from each county, every assessor has the opportunity to adjust the level of assessment (for example, from 40% to 50%) so as to avoid the necessity of applying an S.E.V. multiplier to the assessments. The study is required to be submitted to the State Tax Commission by December 31, 2006 and its results are published by mid-February, 2007. In the example of an assessor found to have a 40% assessment level for one of the six classifications of real property, if the new assessments were not increased by the assessor, the equalization process would add the amount of under assessed valuation to the total of

the classification so that an S.E.V. multiplier of 1.2500 would result for all assessments in that class. (An optional additional 12-month study may be submitted by the assessor if there has been a significant reduction in the real estate market.)

12. In item number 1 preceding, assume the county equalization department's study found that residential real property was assessed for \$40,000,000 and that the true cash value amounted to \$100,000,000. This indicates a residential real property assessment level of 40.00%. The tentative S.E.V. multiplier would be $\$50,000,000 / \$40,000,000$ or a 1.2500 multiplier for the residential classification.
13. Through item number 5, assume the assessor did not change the assessment percentage level, but added \$4,000,000 as the assessments of NEW residential real property. This would not change the assessment level from 40%, and the true cash value would be \$110,000,000, and the correct equalized valuation would be \$55,000,000 for residential real property. ($\$44,000,000 \times 1.2500 = \$55,000,000$ S.E.V.).
14. In most counties in item number 6, the equalization department would recommend that the 2007 equalized valuation of residential real property be equal to \$55,000,000 and the board of county commissioners would adopt the recommendation. Then if the State Tax Commission accepted the valuation adopted by the county for the total residential real property in the county, the state equalized valuation of Example Township's residential real property would be \$55,000,000 resulting in a S.E.V. multiplier of 1.2500 ($\$55,000,000$ S.E.V. / $\$44,000,000$ A.V.) for the residential classification of real property.
15. In items number 7 and 8, the state tax commission either approves the valuations adopted by each county board of commissioners or it determines a different state equalized valuation after considering the work of the county equalization departments, the reports from assessors and county boards of commissioners, and the recommendations from the Property Tax Division staff. In Example Township with \$44,000,000 of assessed residential real property, assume that the county did NOT add the required \$11,000,000 necessary to equal 50% of true cash value required for the residential classification. Further assume that throughout the county there was a similar undervaluation by the county board of commissioners for that classification. Assume the total residential real property equalized valuation for all units as adopted by the county was \$200,000,000 and that for Example Township the valuation adopted was equal to the assessed valuation of \$44,000,000. In state equalization, Example County would be assigned a residential real property state equalized valuation of \$250,000,000. Example Township had been assigned 22% of the total residential real equalized valuation in the county by the board of commissioners ($\$44,000,000 / \$200,000,000$). Therefore, the state equalized valuation of residential for Example Township would become 22% of \$250,000,000 or \$55,000,000. As in item number 14, the S.E.V. multiplier produced is 1.2500.
16. Proper calculation and distribution of value at each level of the equalization process is imperative. Recall the discussion under item 9 indicating that it is the function of the:

- 1) assessor to maintain uniformity between parcels
- 2) county board of commissioners to maintain uniformity between assessing units by classification
- 3) STC to maintain uniformity between counties by classification.

Just as county equalization cannot redistribute value to individual parcels, state equalization cannot redistribute value to individual townships or cities.

17. The example throughout this paper is for the residential real property classification of property. The equalization procedures are exactly the same for the five other classes of real property. Personal property equalization differs in that all of the 5 personal property classifications are combined and not assigned separate equalized valuations. Personal property is assigned a single total equalized valuation for the total of the assessments, for all the personal property. Each classification such as commercial personal property is part of that total.

Appeals

There are appeals from the actions described in items number 4, 5, and 6 which may be filed with the Michigan Tax Tribunal. The filing date is on or before June 30 in the case of assessment appeals and within 30 days after the adoption of county equalization in the case of county equalization appeals. The appeals or petitions are to be addressed to the Michigan Tax Tribunal as follows:

Michigan Tax Tribunal
P.O. Box 30232
611 W. Ottawa Street, 2nd Floor
Lansing, MI 48909